

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08

FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 IO-13 /114 W

-----027874 060447Z /13

R 051106Z MAY 78

FM AMEMBASSY LIBREVILLE

TO SECSTATE WASHDC 975

INFO AMEMBASSY PARIS

C O N F I D E N T I A L LIBREVILLE 1070

DEPT PLS PASS EXIM BANK

E.O. 11652: GDS

TAGS: EAIR, EFIN, ECON, GB

SUBJ: CITIBANK COMMENTS ON GABON

1. WALTER J. CLARK, CITIBANK, PROVIDED THE FOLLOWING INFORMATION MAY 3 CONCERNING THE GABONES FINANCIAL SITUATION AND CITIBANK INVOLVEMENT:

-- THE \$106 MILLION SYNDICATED LOAN CITIBANK IS PUTTING TOGETHER FOR THE GOG IS ON TRACK. PROBABLY NOW CLOSER TO \$100 MILL.

--SIGNATURE OF THE LOAN IS DEPENDENT UPON THE IMF AGREEMENT WHICH SHOULD BE SIGNED AND APPROVED BY THE IMF BOARD OF GOVERNORS ABOUT JUNE 1.

--ALTHOUGH STILL NOT COMPLETELY WORKED OUT, THE LOAN WILL LIKELY BE PHASED IN THE SAME MANNER AS THE IMF DRAWING RIGHTS. APPROXIMATELY HALF WOULD PROBABLY BE MADE AVAILABLE AT THE TIME OF SIGNING (IN PRINCIPLE TO COVER DEVELOPMENT EXPENDITURES MADE DURING THE FIRST SIX MONTHS OF 1978) AND FURTHER TRANCES AT SPECIFIED INTERVALS DEPENDENT UPON GOG COMPLIANCE WITH IMF RECOMMENDATIONS. CLARK CALLED THIS "KEEPING THEIR CONFIDENTIAL

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FEET TO THE FIRE."

--EXCEPT FOR THE \$12 MILLION OR SO FOR THE BOEING 737, THE LOAN WOULD THEORETICALLY BE DEVOTED TO TRANSGABON EXPENSES AND WOULD BE PAID AGAINST VOUCHERS PRESENTED FOR THAT PURPOSE. IN PRACTICE, CLARK SAID, THE \$100 MILLION IF FUNGIBLE AND WOULD PROBABLY BE APPLIED TO PAY ALREADY EXISTING DEBTS.

-- GABON NEEDED TO BORROW APPROXIMATELY \$180 MILLION IN 1978 TO COMPLY WITH THE LAZARD ET AL. RECOMMENDATIONS (WHICH HAVE BEEN LARGELY CONCURRED IN BY IMF). THIS WOULD BE USED AS 30 PERCENT DOWN PAYMENT ON THE \$600 ODD MILLION DOLLARS PAST DUE DEBTS WITH THE REMAINING 70 PERCENT PAID OVER SEVERAL SUBSEQUENT YEARS. CITIBANK'S \$100 MILLION; FRENCH APPROXIMATELY \$80 MILLION AND OTHER SMALLER LOANS WOULD APPARENTLY SATISFY THIS NEED.

-- CITIBANK'S READING OF THE IMF AGREEMENT IS THAT GABON WOULD HAVE DRAWING RIGHTS OF APPROXIMATELY 31 MILLION SDRS WHICH IS MORE THAN DOUBLE WHAT WE HAD PREVIOUSLY HEARD RUMORED.

- CITIBANK REMAINED CONFIDENT ABOUT GABON'S OVERALL ABILITY TO REPAY LOANS AND SOME MEMBERS OF CLARK'S PARTY WERE SOMEWHAT CRITICAL OF BANKS WHICH TENDED TO PANIC QUICKLY WHEN REPAYMENTS DID NOT GET MADE ON TIME. THEY STATED, AND WE AGREED, THAT THERE WAS NO INDICATION OF ANY VOLITION ON PART OF GABONESE TO DEFAULT ON ANY DEBT PAYMENTS. MOST PROBLEMS OF THIS NATURE WERE MANAGERIAL.

--PRESIDENT BONGO STILL WANTS HIS 747 EVEN THOUGH IT WILL NOT BE INCLUDED IN THE SYNDICATED LOAN. BONGO HAD TOLD THEM THE PREVIOUS DAY THAT HE COULD SCRAPE UP FIVE OR SIX BILLION CFA FOR A CASH DOWN PAYMENT ON THE 747 AND WANTED CITIBANK TO WORK OUT SOMETHING FOR THE REST. THEY RESISTED

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ON THE GROUNDS THAT MANY MEMBERS OF THE SYNDICATE HAD BEEN RELUCTANT TO JOIN WHILE THE 747 WAS INCLUDED AND "IT WOULD LOOK FUNNY" IF GABON CAME UP WITH \$25 MILLION IN CASH FOR THE 747 AT THE SAME TIME THE \$106 MILLION LOANS WAS BEING FLOATED.

2. THE AMBASSADOR BRIEFED CLARK AND HIS PARTY ABOUT THE FMS DEFAULT AND THE CONCERNS ESPECIALLY OF WELLS FARGO AS SOMETHING CITIBANK SHOULD BE AWARE OF WHEN THEY OPEN THE LOAN FOR SUBSCRIBERS ONCE IMF HAS APPROVED OVERALL AGREEMENT. CLARK SAID THAT CITIBANK'S READING OF FINANCIAL COMMUNITY'S RECEPTIVITY TO LOAN WAS REASONABLE OPTIMISTIC.

3. CLARK INCIDENTALLY PUT FRENCH LOAN AT APPROX \$73 MILLION WHICH SOMEWHAT LOWER THAN WE HAD HEARD BEFORE.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DATA, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LIBREV01070
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780193-0481
Format: TEL
From: LIBREVILLE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780589/aaaacyfl.tel
Line Count: 111
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0dcacba3-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2779931
Secure: OPEN
Status: NATIVE
Subject: CITIBANK COMMENTS ON GABON
TAGS: EAIR, EFIN, ECON, GB, CITIBANK, (CLARK, WALTER J)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0dcacba3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014